

**From:** "Brian Singer, CFA" <gs-portal-emails@gs.com>

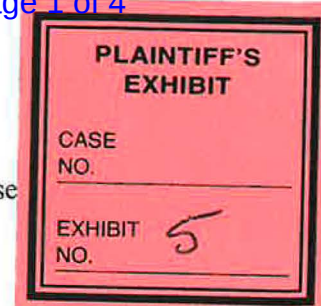
**To:** <sandeep.gupta@pyramis.com>

**Subject:** Anadarko Petroleum Corp. (APC): On track to meet 2017 outlook; lower asset sale proceeds negative

**Date:** 2017-05-03 03:08:14 -0400

**Attachments:** Image1.png

**Inline-Images:** Image2.jpg; Image3.jpg



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[cid:INLINEIMAGEPLACEHOLDERdc030d7c6f314480cbe19c98fe5b35451captionPDFICON] Anadarko Petroleum Corp. (APC): On track to meet 2017 outlook; lower asset sale proceeds negative [PDF, 10pgs, 284 KB] <<https://360.gs.com/research/portal/?action=action.doc&d=c030d7c6f314480cbe19c98fe5b35451&authtoken=YT04ZjI1MjUxMjQ2ZGI0MDAyOTE5M2YzZDZjODcxZDZlYyZhdXR0Y3JlYXRlZD0xNDkzNzk1MjkyNTA3JmF1dGhkaWdlc3Q9anc1MkltT2QlMkZkcnpTmZkWFpjTWlRZWJ0dzVLQSuzRCZhdXRoa2V5aWQ9MjAxNzA0MzAmYXV0aHByb3ZpZGVyaWQ9MSZhdXRodXNlcj1lZWY4MWE4MjI5ZjIxMWUwYWE0YjAwMjE1YWQyNjU0NiZkPwMwMzBkN2M2ZjMxNDQ4MGNiZTE5Yzk4ZmU1YjM1NDUxJnBvbGljeT0yJnBvbGljeT0zJnU9JTNGYWN0aW9uJTNEYWN0aW9uLmRvYyUyNmQlM0RjMDMwZDdjNmYzMTQ0ODBjYmUxOWM5OGZlNWlZNTQ1MQ%3D%3D>

>[Header] Goldman Sachs Global Investment Research [Header]

EQUITY RESEARCH Published May 3, 2017

Anadarko Petroleum Corp. (APC): On track to meet 2017 outlook; lower asset sale proceeds negative

INVESTMENT LIST MEMBERSHIP: Americas Buy List  
COVERAGE VIEW: ATTRACTIVE

What's changed

APC reported 1Q adj. EPS/EBITDA of -\$0.60/\$1.61 bn vs. our -\$0.35/\$1.53 bn and Bloomberg consensus -\$0.23/\$1.45 bn. We update our 2017E-19E EPS on production/costs to -\$1.31/-0.85/-0.69 from -\$0.99/-0.73/-0.46.

Implications

On track to meet 2017 outlook; asset sale proceeds below expected. APC reported above our/consensus EBITDA from lower costs/higher revenues. We believe APC is on track to meet its 2017 outlook, led by strong ramp-up in Permian/DJ Basin and flat GOM production. Notably, initial results from optimized completions in the DJ were positive with wells outperforming type curve by >10%. While operating results were strong, net proceeds from Eagle Ford/Marcellus asset sales were below expected, driving our NAV down by \$2/shr (greater detail in note).

Tie-back opportunity from existing infrastructure in Gulf of Mexico remains robust; greenfield Shenandoah development unlikely. APC continues to see robust performance from wells that can be tied-back to existing infrastructure in GOM. APC continues to enhance GOM tie-back opportunity: (1) Calpurnia exploration well encountered 60 net feet of oil pay; and (2) APC successfully bid on 16 blocks near existing platforms. Following unfavorable result from the Shenandoah well, APC is unlikely to pursue development of the project at current oil prices (consistent with previous commentary). We lower our NAV by \$1/shr associated with the Shenandoah prospect.

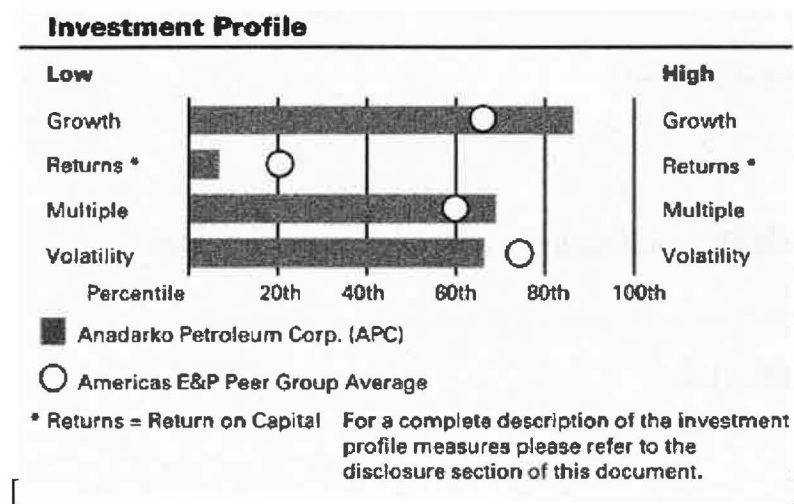
#### Valuation

APC trades at 6.9x/5.9x 2018E/19E EV/ DCF vs. 7.0x/6.5x for int'l/diversified peers. We lower our 12-month DCF-M&A based target price to \$84 (from \$86.50), due to lower asset sale proceeds and lower Shenandoah value offset by greater credit to APC's WGP ownership.

#### Key risks

Commodity volatility, well results, costs, government pronouncements.

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Key data	Current			
Price (\$)	56.28			
12 month price target (\$)	84.00			
Market cap (\$ mn)	31,010.3			
	12/16	12/17E	12/18E	12/19E
Revenue (\$ mn) New	7,625.0	9,682.2	11,315.0	13,069.4
Revenue (\$ mn) Old	7,625.0	9,727.5	11,213.3	13,057.4
EPS (\$) New	(3.10)	(1.31)	(0.85)	(0.69)
EPS (\$) Old	(3.10)	(0.99)	(0.73)	(0.46)
P/E (X)	NM	NM	NM	NM
EV/EBITDA (X)	10.6	7.6	6.6	5.7
ROE (%)	NM	NM	NM	NM
	3/17	6/17E	9/17E	12/17E
EPS (\$)	(0.60)	(0.18)	(0.30)	(0.23)

Brian Singer, CFA (New York) (212) 902-8259, Goldman Sachs and Co. LLC  
 Umang Choudhary (New York) (212) 357-2642, Goldman Sachs and Co. LLC  
 Nick DeValeria (Salt Lake City) (801) 741-5538, Goldman Sachs and Co. LLC  
 Caroline Shavel (New York) (917) 343-2034, Goldman Sachs and Co. LLC

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